

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF
KINGSPORT, TENNESSEE ADOPTING THE ANNUAL
BUDGET FOR THE FOLLOWING PROPRIETARY
FUNDS WATER FUND SEWER FUND
STORMWATER FUND FISCAL YEAR BEGINNING
JULY 1, 2026 AND ENDING JUNE 30, 2027

WHEREAS, the Municipal Budget Law of 1982 requires that the governing body of each municipality adopt and operate under an annual budget ordinance but does not require the appropriation of moneys expended in a proprietary type fund; and

WHEREAS, the governing body recognizes the importance of the review and approval by adoption of the detailed budget(s) for proprietary fund types; and

WHEREAS, pursuant to Tenn. Code Ann. § 9-21-403, the budget has been prepared and reconciled to a basis consistent with generally accepted accounting principles and in a form consistent with governmental standards as approved by the Tennessee Comptroller of the Treasury; and

WHEREAS, consistent with Tenn. Code Ann. § 9-21-403, the local government has demonstrated that there is adequate cash throughout the budget year to meet current obligations, including principal and interest; and

WHEREAS, the Board of Mayor and Aldermen is responsible for the operations of identified funds have prepared the annual operating budget identifying revenue by source and expenses by type and have presented three years of financial information, specifically, projected amounts for the budget year, estimated amounts for the current fiscal year, and actual amounts for the prior fiscal year; and

WHEREAS, proprietary fund budgets reflect compliance with the requirements of Tenn. Code Ann. § 7-82-703 for a statutory increase in net position, repayment of debt, and positive ending unrestricted and total net position balanced, for water, wastewater, and/or natural gas utility systems under the jurisdiction of the Tennessee Board of Utility Regulation; and

WHEREAS, the governing body recognizes the importance of adopting its budget prior to the beginning of the budget year and its statutory requirement pursuant to Tenn. Code Ann. § 9-21-403 to submit its budget to the Tennessee Comptroller of the Treasury within 15 days of adoption. It is further recognizes that the budget shall be submitted no later than August 31st of the budget year and should the budget be submitted after August 31, debt or financing obligations shall not be issued by the municipality until the Comptroller of the Treasury has approved the budget, or as otherwise provided for in a manner approved by the Comptroller of the Treasury pursuant to Tenn. Code Ann. § 9-21-404; and

WHEREAS, the governing body recognizes its responsibility pursuant to Tenn. Code Ann. § 4-3-305 to prepare the budget in accordance with the requirements of the Tennessee Budget Manual for Local Governments published by the Tennessee Comptroller of the Treasury; and

WHEREAS, if the Comptroller of the Treasury determines that the budget is not balanced and does not comply with state law, the Comptroller of the Treasury has authority pursuant to Tenn. Code Ann. § 9-21-403 to direct the governing body to adjust its estimates.

BE IT ORDAINED BY THE CITY OF KINGSPORT, as follows:

SECTION I: That the governing body projects anticipated revenues from all sources and appropriates planned expenditures for each department, board, office or other agency of the municipality, herein presented together with the actual annual receipts and expenditures of the last preceding fiscal year and the estimated annual expenditures for the current fiscal year, and from those revenues and unexpended and unencumbered funds as follows for fiscal year 2027, and including the projected ending balances for the budget year, the actual ending balances for the most recent ended fiscal year and the estimated ending balances for the current fiscal years:

Water Fund - 411 - Cash Basis	2024-2025	2025-2026	2026-2027
	Unaudited	Estimated	Budgeted
Operating Revenues			
Water Sales	\$ 16,933,961	\$ 19,500,000	\$ 20,300,000
Other Operating Revenue	1,539,529	1,563,637	976,500
Total Operating Revenues	\$ 18,473,490	\$ 21,063,637	\$ 21,276,500
Operating Expenses			
Administration	\$ 2,792,473	\$ 3,428,209	\$ 4,410,052
Plant Operations	4,518,185	4,446,486	4,900,303
System Maintenance	3,798,225	3,605,943	4,928,027
Utility Technical Service	1,952,577	1,609,504	1,805,332
Capital	10,044,134	5,170,396	603,853
Other	903,579	900,777	880,800
Depreciation	-	-	-
Total Operating Expenses	\$ 24,009,173	\$ 19,161,315	\$ 17,528,367
Operating Income (Loss)	\$ (5,535,683)	\$ 1,902,322	\$ 3,748,133
Nonoperating Revenue (Expenses)			
Revenue			
Investment Income	\$ 834,789	\$ 632,000	\$ 352,000
Expense			
Debt Service - Principal	\$ (3,186,744)	\$ (3,301,600)	\$ (3,059,745)
Debt Service - Interest	(1,232,067)	(1,178,300)	(1,349,788)
Total Nonoperating Revenue (Expenses)	\$ (3,584,023)	\$ (3,847,900)	\$ (4,057,533)
Income (Loss Before Transfers)	\$ (9,119,706)	\$ (1,945,578)	\$ (309,400)
Transfers and Capital Contributions			
Capital Contributions - Grants	\$ 3,477,231	\$ 743,234	309,400
Total Transfers	\$ 3,477,231	\$ 743,234	\$ 309,400
Change in Net Position - Cash Basis	\$ (5,642,474)	\$ (1,202,344)	\$ -
GAAP RECONCILIATION			
Change in Net Position - Cash Basis	\$ (5,642,474)	\$ (1,202,344)	\$ -
Add:			
Debt Service - Principal	\$ 3,186,744	\$ 3,301,600	\$ 3,059,745
Capital Purchases	11,494,262	5,316,793	2,035,646
Subtract:			
Depreciation Expense	\$ (4,224,005)	\$ (4,500,000)	\$ (4,700,000)
Change in Net Position GAAP Basis	\$ 4,814,527	\$ 2,916,049	\$ 395,391
Net Position - Beginning of Year - Restated	\$ 79,282,201	\$ 84,096,728	\$ 87,012,777
Net Position - End of Year	\$ 84,096,728	\$ 87,012,777	\$ 87,408,168

Sewer Fund - 412 - Cash Basis	2024-2025	2025-2026	2026-2027
	Audited	Estimated	Budgeted
Operating Revenues			
Sewer Sales	\$ 19,953,337	\$ 20,111,600	\$ 22,520,000
Other Operating Revenue	871,890	1,066,550	947,900
Total Operating Revenues	\$ 20,825,228	\$ 21,178,150	\$ 23,467,900
Operating Expenses			
Administration	\$ 2,178,541	\$ 2,128,000	\$ 3,040,564
Plant Operations	4,645,467	4,945,900	5,406,437
System Maintenance	2,782,341	2,550,700	3,058,463
Utility Technical Service	794,134	866,000	889,911
Capital	272,500	2,680,000	4,328,125
Other	1,499,855	1,050,900	1,020,900
Depreciation	-	-	-
Total Operating Expenses	\$ 12,172,840	\$ 14,221,500	\$ 17,744,400
Operating Income (Loss)	\$ 8,652,388	\$ 6,956,650	\$ 5,723,500
Nonoperating Revenue (Expenses)			
Revenue			
Investment Income	\$ 1,062,157	\$ 940,000	\$ 620,000
Sewer Taps	6,810	7,000	6,500
Expense			
Debt Service - Principal	(4,167,889)	(4,320,900)	(4,500,000)
Debt Service - Interest	(1,667,088)	(1,822,400)	(1,850,000)
Total Nonoperating Revenue (Expenses)	\$ (4,766,010)	\$ (5,196,300)	\$ (5,723,500)
Income (Loss Before Transfers)	\$ 3,886,378	\$ 1,760,350	\$ -
Transfers and Capital Contributions			
Capital Contributions - Grants	\$ 1,020,936	\$ -	\$ -
Total Transfers	\$ 1,020,936	\$ -	\$ -
Change in Net Position - Cash Basis	\$ 4,907,314	\$ 1,760,350	\$ -
GAAP RECONCILIATION			
Change in Net Position - Cash Basis	\$ 4,907,314	\$ 1,760,350	\$ -
Add:			
Debt Service - Principal	\$ 4,167,889	\$ 4,320,900	\$ 4,500,000
Capital Purchases	2,123,559	2,554,000	4,839,125
Subtract:			
Depreciation Expense	(5,723,835)	(5,809,693)	(5,900,000)
Change in Net Position GAAP Basis	\$ 4,796,566	\$ 2,825,557	\$ 3,439,125
Net Position - Beginning of Year - Restated	\$113,002,709	\$117,799,275	\$120,624,832
Net Position - End of Year	\$117,799,275	\$120,624,832	\$124,063,957

Stormwater Fund - 417 - Cash Basis	2024-2025	2025-2026	2026-2027
	Audited	Estimated	Budgeted
Operating Revenues			
Stormwater Fees	1,884,687	2,271,900	\$ 2,150,000
Total Operating Revenues	\$ 1,884,687	\$ 2,271,900	\$ 2,150,000
Operating Expenses			
Operating Cost	\$ 2,400,501	\$ 2,166,600	\$ 2,034,790
Depreciation	-	-	-
Total Operating Expenses	\$ 2,400,501	\$ 2,166,600	\$ 2,034,790
Operating Income (Loss)	\$ (515,814)	\$ 105,300	\$ 115,210
Nonoperating Revenue (Expenses)			
Revenue			
Investment Income	\$ 10,875	\$ 8,500	\$ 5,000
Expense			
Debt Service - Principal	(99,233)	(102,500)	(106,350)
Debt Service - Interest	(14,592)	(17,800)	(13,860)
Total Nonoperating Revenue (Expenses)	-\$102,950	-\$111,800	\$ (115,210)
Income (Loss Before Transfers)	\$ (618,764)	\$ (6,500)	\$ -
Transfers and Capital Contributions			
Capital Contributions - Grants	481,154	-	-
Total Transfers	\$ 481,154	\$ -	\$ -
Change in Net Position - Cash Basis	\$ (137,610)	\$ (6,500)	\$ -
GAAP RECONCILIATION			
Change in Net Position - Cash Basis	\$ (137,610)	\$ (6,500)	\$ -
Add:			
Debt Service - Principal	\$ 99,233	\$ 102,500	\$ 106,350
Capital Purchases	782,313	250,000	50,000
GASB 68, GASB 75, and OPEB (Non Cash Adj)	150,008	-	-
Subtract:			
Depreciation Expense	(162,496)	(165,000)	(165,000)
Change in Net Position GAAP Basis	\$ 731,448	\$ 181,000	\$ (8,650)
Net Position - Beginning of Year - Restated	\$ 4,332,373	\$ 5,063,821	\$ 5,244,821
Net Position - End of Year	\$ 5,063,821	\$ 5,244,821	\$ 5,236,171

SECTION II: At the end of the fiscal year 2026, the governing body estimates fund balances or deficits as follows:

Fund Name - Fund #	Estimated Net Position at June 30, 2026
Water Fund - 411 - Cash Basis	87,012,777
Sewer Fund - 412 - Cash Basis	120,624,832
Stormwater Fund - 417 - Cash Basis	5,244,821

SECTION III: That the governing body herein certifies that the condition of its sinking funds, if applicable, are compliant pursuant to its bond covenants, and recognizes that the municipality has outstanding bonded and other indebtedness as follows:

Type of Indebtedness	Debt Authorized and Unissued	Principal Outstanding at 46203	FY 2027 Principal Payment	FY 2027 Interest Payment
Bonds -Payable Through Water Fund				
General Obligation Refunding Series 2013	3,025,000	10,000	10,000	300
General Obligation Refunding Series 2014B	2,717,899	1,461,236	144,662	41,667
General Obligation Refunding Series 2015A	2,226,420	874,059	76,646	26,708
General Obligation Refunding Series 2016 (Nov)	3,294,425	1,988,854	169,083	64,947
General Obligation Refunding Series 2017B	1,167,095	759,389	60,689	20,910
General Obligation Refunding Series 2018B	3,966,023	2,823,207	199,241	90,532
General Obligation Series 2019 Refunding (09 BABS)	2,159,378	974,783	226,658	48,739
General Obligation Series 2019 (Nov)	5,730,508	4,251,320	314,000	139,014
General Obligation Series 2020 Refunding 11 & 12C	2,337,395	1,436,108	229,433	24,252
General Obligation Series 2021	1,380,000	1,183,801	55,557	35,237
General Obligation Series 2023	9,750,000	9,415,000	180,000	411,275
General Obligation Refunding Series 2026B	2,040,516	2,040,516	197,544	88,719
Loan - Payable Through Water Fund				
DWF 2014-140	13,235,098	8,161,705	666,624	139,860
DG8 2022-249	1,300,000	1,132,168	60,444	11,712
DWF 2023-254	6,130,192	6,130,192	302,496	127,632
Capital Outlay Note - Series 2024	1,833,333	1,833,333	166,667	78,283
Bonds -Payable Through Sewer Fund				
General Obligation Refunding Series 2013	27,760,000	6,325,000	1,240,000	186,763
General Obligation Refunding Series 2014B	6,582,101	3,538,764	350,338	100,908
General Obligation Refunding Series 2015A	4,823,895	1,893,790	166,066	57,868
General Obligation Refunding Series 2016 (Nov)	6,952,823	4,197,439	356,847	137,069
General Obligation Refunding Series 2017B	10,082,905	6,560,611	524,311	180,652
General Obligation Refunding Series 2018B	1,308,977	931,793	65,759	29,880
General Obligation Series 2019 Refunding (09 BABS)	3,239,067	1,462,175	339,987	73,109
General Obligation Series 2019 (Nov)	3,421,614	2,538,409	187,486	83,004

General Obligation Series 2020 Refunding 11 & 12C	2,642,486	1,623,558	259,380	27,417
General Obligation Series 2021	6,345,000	5,442,910	255,443	162,012
General Obligation Series 2023	11,425,000	11,035,000	210,000	481,938
General Obligation Series 2026A	3,000,000	3,000,000	100,909	133,795
General Obligation Refunding Series 2026B	4,572,392	4,572,392	442,658	198,802
Bonds -Payable Through Storm Water Fund				
General Obligation Refunding Series 2016A	430,058	145,774	47,208	3,886
General Obligation Series 2019 Refunding (09 BABS)	323,907	146,217	33,999	7,311
General Obligation Series 2020 Refunding 11 & 12C	255,992	157,283	25,128	2,656

SECTION IV: During the coming fiscal year (2027) the governing body has pending and planned capital projects with proposed funding as follows:

Pending Capital Projects	Pending Capital Projects - Total Expense	Pending Capital Projects Expense Financed by Estimated Revenues and/or Reserves	Pending Capital Projects Expense Financed by Debt Proceeds
Water:			
Main Street Water Line Replacement	\$ 2,025,000	\$ 525,000	\$ 1,500,000
WTP High Service IMP	\$ 10,000,000	\$ 1,730,000	\$ 8,270,000
Washing CO WA EXT	\$ 2,770,000	\$ 2,770,000	\$ -
Sullivan CO WA UPG	\$ 4,475,000	\$ 2,305,000	\$ 2,170,000
AMI Meter Purchase	\$ 2,850,000	\$ 2,550,000	\$ 300,000
WTP WA Intake Screen Replacement	\$ 1,440,000	\$ 1,423,000	\$ 17,000
Water Line Improvements	\$ 1,030,000	\$ 1,030,000	\$ -
Memorial Blvd Water Line	\$ 4,072,000	\$ -	\$ 4,072,000
Watauga St Water Improvements	\$ 1,000,000	\$ -	\$ 1,000,000
Fieldcrest Annexation	\$ 1,930,000	\$ -	\$ 1,930,000
Water Line Improvements 2	\$ 1,170,000	\$ 1,170,000	\$ -
Distribution System Upgrade	\$ 1,500,000	\$ 1,500,000	\$ -
Customer Service System	\$ 2,400,000	\$ 400,000	\$ 2,000,000
Sewer:			
Main Street Line Replacement	\$ 1,157,000	\$ 37,000	\$ 1,120,000
SLS Improvements	\$ 1,680,000	\$ 400,000	\$ 1,280,000
Valleybrook Sewer Extension	\$ 1,350,000	\$ 1,350,000	\$ -
I&I UPG Garden/Industry Drive	\$ 3,120,000	\$ 1,240,000	\$ 1,880,000
Memorial Blvd Sewer Line	\$ 3,860,000	\$ -	\$ 3,860,000

WWTP Electrical Improvements	\$ 2,370,000	\$ -	\$ 2,370,000
Fieldcrest Annexation	\$ 2,300,000	\$ -	\$ 2,300,000
Collection System Upgrade	\$ 1,550,000	\$ -	\$ 1,550,000
Reedy Creek Sullivan Clin	\$ 1,000,000	\$ -	\$ 1,000,000
WWTP Blower Replacement	\$ 1,500,000	\$ 1,000,000	\$ 500,000
FY26 Sewer Lining	\$ 1,400,000	\$ 1,265,000	\$ 135,000

Proposed Future Capital Projects	Proposed Future Capital Projects - Total Expense	Proposed Future Capital Projects Expense Financed by Estimated Revenues and/or Reserves	Proposed Future Capital Projects Expense Financed by Debt Proceeds
Water:			
WTP Chemical Feed	\$ 10,000,000	\$ -	\$ 10,000,000
Storage Tank Rehabs and Replacements	\$ 3,500,500	\$ -	\$ 3,500,500
WTP Basin/Clarifier Sweep Replacement	\$ 3,000,000	\$ -	\$ 3,000,000
WTP Storage Building	\$ 750,000	\$ -	\$ 750,000
Distribution System Upgrade	\$ 28,200,000	\$ 1,700,000	\$ 26,500,000
Meter Replacements	\$ 2,500,000	\$ 1,000,000	\$ 1,500,000
Maintenance Facility Improvements	\$ 200,000	\$ 200,000	\$ -
Distribution Facility Upgrades	\$ 2,000,000	\$ 1,000,000	\$ 1,000,000
Plant Facility Improvements	\$ 300,000	\$ 300,000	\$ -
SR126 Memorial Blvd Water Move	\$ 2,500,000	\$ -	\$ 2,500,000
Filter and Pipe Gallery Improvments	\$ 2,500,000	\$ -	\$ 2,500,000
WTP Clearwell Upgrade	\$ 8,000,000	\$ -	\$ 8,000,000
Sewer:			
Lift Station Upgrades	\$ 16,000,000	\$ 16,000,000	\$ -
Reedy Creek Trunk Construction	\$ 13,555,500	\$ -	\$ 13,555,500
WWTP Blower	\$ 2,500,000	\$ -	\$ 2,500,000
Pendragon Sewer Improvements	\$ 1,000,000	\$ -	\$ 1,000,000
Watauga Sewer Improvements	\$ 2,240,000	\$ -	\$ 2,240,000
Collection System Upgrades	\$ 17,500,000	\$ 17,500,000	\$ -
WWTP Master Plan Improvements	\$ 20,000,000	\$ -	\$ 20,000,000
Stormwater:			
Tranbarger Branch Stream Improvements	\$ 500,000		\$ 500,000
Leslie Branch Stream Improvements	\$ 500,000		\$ 500,000
Portable Pump Replacement	\$ 100,000	\$ 100,000	\$ -

SECTION V: No appropriation listed above may be exceeded without an amendment of the budget ordinance as required by the Municipal Budget Law of 1982 (TCA § 6-56-208). In addition, no appropriation may be made in excess of available funds except to provide for an actual emergency threatening the health, property or lives of the inhabitants of the municipality and declared by a two-thirds (2/3) vote of at least a quorum of the Governing Body in accord with Tenn. Code Ann. § 6-56-205.

SECTION VI: Money may be transferred from one appropriation to another in the same fund in an amount of up to \$15,000 by the City Manager, subject to such limitations and procedures as set by the Governing Body pursuant to Tenn. Code Ann. § 6-56-209. Any resulting transfers shall be reported to the governing body at its next regular meeting and entered into the minutes.

SECTION VII: A detailed financial plan will be attached to this budget and become part of this budget ordinance.

SECTION VIII: This annual budget ordinance and supporting documents shall be submitted to the Comptroller of the Treasury or Comptroller's Designee for approval pursuant to Title 9, Chapter 21 of the Tennessee Code Annotated within fifteen (15) days of its adoption. If the Comptroller of the Treasury or Comptroller's Designee determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes or as directed by the Comptroller of the Treasury or Comptroller's Designee.

SECTION IX: All unencumbered balances of appropriations remaining at the end of the fiscal year lapse and revert to the respective fund balances.

PAUL W. MONTGOMERY, MAYOR

ATTEST:

ANGELA MARSHALL, DEPUTY CITY RECORDER

APPROVED AS TO FORM:

RODNEY B. ROWLETT, III, CITY ATTORNEY

PASSED ON 1ST READING
PASSED ON 2ND READING